

TOWNSHIP OF PINCONNING
COUNTY OF BAY
STATE OF MICHIGAN

RESOLUTION TO AUTHORIZE ISSUANCE OF
CAPITAL IMPROVEMENT BONDS,
GENERAL OBLIGATION LIMITED TAX,
SERIES 2009A AND 2009B

At a regular meeting of the Township Board of the Township of Pinconning, Bay County, Michigan, held in the Pinconning Township Hall, 1751 Cody Estey Road, within the Township, on the 14th day of April, 2009, at 4 P.m. local time.

PRESENT: Members: BUCHALSKI, LUCHON, TREDD, HOLBROOK, STAUBERG

ABSENT: Members: 0

The following preamble and resolution were offered by Member LUCHON and seconded by Member BUCHALSKI:

WHEREAS, on June 23, 2008, the Township Board of the Township of Pinconning (the "Township") adopted a resolution of intent (the "Resolution of Intent") to acquire and construct improvements to and extensions of the Township's sanitary sewer collection and transmission system and the Township's existing sanitary sewer lagoon system and related site work and appurtenances (the "Project") and to fund all or part of the cost of the Project by the issuance of capital improvement bonds in one or more series in the maximum principal amount of \$2,100,000 pursuant to Section 517(1) of Act 34 of the Public Acts of Michigan of 2001, as amended ("Act 34"); and

WHEREAS, a Notice of Intent to Issue Bonds was published pursuant to Section 517(2) of Act 34 and no petitions for referendum upon the question of issuing the bonds were filed with the Township during the 45-day period which commenced with the date of such publication; and

WHEREAS, the Township intends to pay for the costs of the Project using the proceeds of the Bonds, grant funds to be provided by the U.S. Government Rural Development Agency (the "Government"), interest earnings on the Bonds, and Township funds on hand; and

WHEREAS, to finance the cost of the Project, the Township Board deems it necessary to borrow the aggregate sum of One Million Three Hundred Fifty Thousand Dollars (\$1,350,000) and to issue its capital improvement bonds therefore in two series, the Series 2009A Bonds in the principal amount of \$350,000 (the "Series 2009A Bonds") and the Series 2009B Bonds in the principal amount of \$1,000,000 (the "Series 2009B Bonds") (collectively the Series 2009A Bonds and Series 2009B Bonds are referred to herein as the "Bonds"), in accordance with Act 34.

NOW, THEREFORE, BE IT HEREBY RESOLVED AS FOLLOWS:

1. **Necessity; Findings.** It is necessary for the public health, safety and welfare of the Township to undertake the Project and issue the Series 2009A Bonds and the Series 2009B Bonds of the Township therefore pursuant to Act 34. The Township Board makes the following findings:

a. The period of usefulness of the capital improvement items which comprise the Project is hereby determined to be not less than forty (40) years.

b. The Project is comprised of capital improvement items within the meaning of Act 34.

c. Based upon the Township's 2008 state equalized value of \$31,626,350, the Township's debt limit for bonds issued in accordance with Section 517(1) of Act 34 is \$1,581,317.50, and the Township further determines that the aggregate of the Series 2009A Bonds and Series 2009B Bonds authorized for the Project in the amount of \$1,350,000, after taking into account that the Township has no bonds currently outstanding that were issued under Section 517(1) of Act 34, may be issued by the Township within the aforesated debt limit.

d. The revenues received from the levy of special assessments on property located within Special Assessment District No. S1 and Special Assessment District No. S2, together with debt service charges and connection fees, are expected to be sufficient to pay the principal and interest on the proposed Series 2009A Bonds and Series 2009B Bonds, as the same become due, and accordingly, the Township Board does not expect that it will be necessary to levy any taxes to pay the principal and interest on the proposed Bonds, and in no event will any taxes necessary to pay the principal of and interest on the Bonds, together with taxes levied for the same year, exceed the limits authorized by law.

2. **Authorization of Bonds; Security.** The Township shall borrow money and issue bonds in two series known as CAPITAL IMPROVEMENT BONDS, GENERAL OBLIGATION LIMITED TAX, SERIES 2009A and CAPITAL IMPROVEMENT BONDS, GENERAL OBLIGATION LIMITED TAX, SERIES 2009B in the aggregate principal sum of One Million Three Hundred Fifty Thousand Dollars (\$1,350,000) pursuant to the provisions of Act 34 for the purpose of defraying the cost of the Project. The Bonds shall be a general obligation of the Township secured by the Township's full faith and credit and limited tax pledge, within applicable charter, statutory and constitutional tax limitations applicable to the Township. The Township shall not have the authority to levy additional taxes to pay the principal of and interest on the Bonds over presently existing township millage limits without a vote of Township electors.

3. **Terms of Bonds.** The Bonds shall be dated as of the date of delivery to the United States of America (the "Government"), shall bear interest at the rate(s) of interest per annum set forth below, payable on November 1, 2009, and semi-annually thereafter on each May 1 and November 1 until payment of the principal hereof has been made or duly provided for. The Bonds shall be issued in substantially the form and tenor as set forth in Exhibit A attached hereto, shall be in denominations of \$1,000 or any multiple thereof up to the amount of

a single maturity and shall be due and payable on May 1 each year and in the amounts as follows:

Series 2009A Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>
2010	\$3,000	4.125%	2030	\$8,000	4.125%
2011	\$4,000	4.125%	2031	\$9,000	4.125%
2012	\$4,000	4.125%	2032	\$9,000	4.125%
2013	\$4,000	4.125%	2033	\$10,000	4.125%
2014	\$4,000	4.125%	2034	\$10,000	4.125%
2015	\$5,000	4.125%	2035	\$10,000	4.125%
2016	\$5,000	4.125%	2036	\$11,000	4.125%
2017	\$5,000	4.125%	2037	\$11,000	4.125%
2018	\$5,000	4.125%	2038	\$12,000	4.125%
2019	\$5,000	4.125%	2039	\$12,000	4.125%
2020	\$6,000	4.125%	2040	\$13,000	4.125%
2021	\$6,000	4.125%	2041	\$13,000	4.125%
2022	\$6,000	4.125%	2042	\$13,000	4.125%
2023	\$6,000	4.125%	2043	\$13,000	4.125%
2024	\$7,000	4.125%	2044	\$14,000	4.125%
2025	\$7,000	4.125%	2045	\$14,000	4.125%
2026	\$7,000	4.125%	2046	\$14,000	4.125%
2027	\$7,000	4.125%	2047	\$14,000	4.125%
2028	\$8,000	4.125%	2048	\$14,000	4.125%
2029	\$8,000	4.125%	2049	\$14,000	4.125%

Series 2009B Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest</u>
2010	\$10,000	4.375%	2030	\$24,000	4.375%
2011	\$10,000	4.375%	2031	\$24,000	4.375%
2012	\$11,000	4.375%	2032	\$25,000	4.375%
2013	\$11,000	4.375%	2033	\$26,000	4.375%
2014	\$12,000	4.375%	2034	\$27,000	4.375%
2015	\$12,000	4.375%	2035	\$28,000	4.375%
2016	\$13,000	4.375%	2036	\$30,000	4.375%
2017	\$13,000	4.375%	2037	\$31,000	4.375%
2018	\$14,000	4.375%	2038	\$32,000	4.375%
2019	\$15,000	4.375%	2039	\$34,000	4.375%
2020	\$15,000	4.375%	2040	\$35,000	4.375%
2021	\$16,000	4.375%	2041	\$36,000	4.375%
2022	\$17,000	4.375%	2042	\$37,000	4.375%
2023	\$17,000	4.375%	2043	\$38,000	4.375%
2024	\$18,000	4.375%	2044	\$39,000	4.375%
2025	\$19,000	4.375%	2045	\$41,000	4.375%
2026	\$20,000	4.375%	2046	\$43,000	4.375%
2027	\$21,000	4.375%	2047	\$45,000	4.375%
2028	\$22,000	4.375%	2048	\$47,000	4.375%
2029	\$23,000	4.375%	2049	\$49,000	4.375%

In the alternative, a single bond for the Series 2009A Bonds and a single bond for the Series 2009B Bonds may be issued incorporating all maturities of such Bonds. The Bonds shall be sold for 100% of par value, without premium or discount.

Notwithstanding the foregoing or any other provision of this resolution, the Township Supervisor and Treasurer are authorized to approve the final terms of the Bonds in accordance with paragraph 16.

4. **Payment of Principal and Interest.** The Bonds and the interest thereon shall be paid in lawful money of the United States of America by the Township Treasurer, acting as paying agent, transfer agent and bond registrar for the Bonds (the "Bond Registrar"). Interest shall be paid when due by check or draft drawn on the Bond Registrar and mailed by first class mail or other acceptable method to the registered owners of record as of each April 15 with respect to payments due and payable on the immediately succeeding May 1, and as of each

October 15 with respect to payments due and payable on the immediately succeeding November 1. Principal shall be payable at the principal office of the Bond Registrar upon presentation and surrender of the corresponding bond certificate.

5. **Redemption of Bonds Prior to Maturity.** Bonds maturing in the years 2010 to 2049, both inclusive, shall be subject to redemption prior to maturity, at the option of the Township, in whole or in part in increments of \$1,000 in direct order of maturity as the Township may determine and within any maturity by lot on any interest payment date on or after November 1, 2009, at par and accrued interest to the date fixed for redemption, without premium.

Notice of the call of any Bonds for redemption shall be given by first-class mail by the Bond Registrar, no less than thirty (30) days prior to the date fixed for redemption, to the registered owners of record at the registered addresses shown on the registration books kept by the Bond Registrar. Bonds shall be called for redemption in multiples of \$1,000 and Bonds of denominations of greater than \$1,000 shall be treated as representing the number of Bonds obtained by dividing the denomination of the Bond by \$1,000 and such Bonds may be redeemed in part. The notice of redemption for Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed a new Bond or Bonds in aggregate principal amount equal to the unredeemed portion of the bond surrendered shall be issued to the registered owner thereof. No further interest payment on the Bonds or portions of the Bonds called for redemption shall accrue after the date fixed for redemption, whether or not the Bond is presented for redemption, provided funds are on hand with the Bond Registrar to redeem the same.

6. **Registration.** The Bonds shall be registered both as to principal and interest in substantially the form and tenor as set forth in Exhibit A attached hereto. Any individual bond shall be transferable on the bond register maintained with respect to the Bonds upon the surrender of the individual bond together with an assignment executed by the registered owner or

his or her duly authorized attorney in form satisfactory to the Bond Registrar. Upon receipt of a properly assigned Bond, the Bond Registrar shall authenticate and deliver a new bond or bonds in equal aggregate principal amount and like interest rate and maturity to the designated transferee or transferees. Any individual bond may likewise be exchanged for one or more other bonds with the same interest rate and maturity in authorized denominations aggregating the same principal amount as the bond being exchanged. Such exchange shall be effected by surrender of the individual bond to be exchanged to the Bond Registrar with written instructions signed by the registered owner of the individual bond or his or her attorney in form satisfactory to the Bond Registrar. Upon receipt of an individual bond with proper written instructions the Bond Registrar shall authenticate and deliver a new bond or bonds to the registered owner of the Bond or his or her properly designated transferee or transferees or attorney. A transfer, exchange and registration of Bonds shall be without expense or service charge to the registered holder except for any tax or other governmental charge required to be paid with respect to such transfer, exchange or registration. The Bond Registrar shall not be required to transfer or exchange Bonds or parts of Bonds which have been selected for redemption.

7. **Duties of Bond Registrar.** The Bond Registrar shall, upon receipt of sufficient funds from the Township, make timely payments of principal and interest on the Bonds, authenticate the Bonds upon their initial issuance and subsequent transfer to successive holders, act as registrar of the Bonds including the preparation and maintenance of a current register of registered owners of the Bonds, coordinate the transfer of individual bonds between successive holders, including printing and transferring new certificates, and all other duties set forth in this Resolution or otherwise normally performed by paying, registration and transfer agents. All reasonable fees and expenses of the Bond Registrar shall be paid by the Township. The Township reserves the right to designate an alternate financial institution to act as Bond Registrar

for the Bonds and in such event the Township shall mail notice to all registered owners of the Bonds not less than 60 days prior to the effective date of said change in Bond Registrar.

8. **Replacement of Bonds.** Upon receipt by the Bond Registrar of proof of ownership of an unmatured bond, or satisfactory evidence that the bond has been lost, apparently destroyed or wrongfully taken and of security or indemnity which complies with applicable law and is satisfactory to the Bond Registrar, the Bond Registrar may deliver a new executed bond to replace the bond lost, apparently destroyed or wrongfully taken in compliance with applicable law. In the event an outstanding matured bond is lost, apparently destroyed or wrongfully taken, the Bond Registrar may pay the bond without presentation upon the receipt of the same documentation required for the delivery of a replacement bond. The Bond Registrar for each new bond delivered or paid without presentation as provided above, shall require the payment by the bondholder of expenses, including counsel fees, which may be incurred by the Bond Registrar and the Township in connection therewith. Any bond delivered pursuant to the provisions of this Paragraph 8 in lieu of any bond lost, apparently destroyed or wrongfully taken shall be of the same form and tenor and be secured in the same manner as the bond originally issued.

9. **Debt Service Fund.** There shall be established and maintained on the books of the Township Treasurer a fund to be designated "SERIES 2009 CAPITAL IMPROVEMENT BOND – DEBT SERVICE FUND" (the "Debt Service Fund"). Within such fund, the Treasurer shall establish two subaccounts: one for the Series 2009A Bonds and the other for the Series 2009B Bonds. Into such subaccounts, there shall be placed (i) the accrued interest, if any, from the date of each series of the Bonds to the date of delivery thereof; (ii) capitalized interest for each series of the Bonds, if any, from the date of delivery of each series of the Bonds, and (iii) premium, if any, received at the time of delivery of either or both series of the Bonds. As part of the subaccounts within the Debt Service Fund, there shall be established and maintained such

additional subaccounts as are deemed necessary and appropriate for the proper administration of the Debt Service Fund and compliance with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The principal of, premium, if any, and interest on each series of the Bonds together with the Registrar's fee and the cost of continuing disclosure, if any, for the term of each series of the Bonds, when due shall be paid directly out of the subaccounts of the Debt Service Fund for each series of the Bonds. All amounts hereby pledged to the prompt payment of the principal of and interest on the Bonds shall be kept and maintained in the Debt Service Fund so long as there are any of the Bonds, or interest thereon, outstanding and unpaid. After payment in full of the Bonds and the interest thereon, or after provision has been made for the payment in full of the Bonds and the interest thereon by investment of pledged amounts in the Debt Service Fund in direct obligations of the United States of America in amounts and with maturities sufficient to pay all principal and interest on the Bonds when due, the surplus remaining in the Debt Service Fund shall be used for such purposes as required or permitted by law.

10. **Construction Fund.** Prior to delivery and sale of the Bonds, there shall be established and maintained on the books of the Township Treasurer a separate account designated "SERIES 2009 CAPITAL IMPROVEMENT BOND – CONSTRUCTION FUND" (the "Construction Fund"). Within such fund, the Treasurer shall establish and maintain two subaccounts: one for the Series 2009A Bonds and the other for the Series 2009B Bonds. Into such subaccounts, after deducting a sum equal to the amount of any (i) accrued interest from the date of each series of the Bonds to the date of delivery thereof; (ii) capitalized interest on each series of the Bonds, if any, from the date of delivery of each series of the Bonds; and (iii) premium, which sums shall be deposited in the Debt Service Fund, the balance of the proceeds of each series of the Bonds shall be deposited into the respective subaccounts of the Construction Fund for each series of the Bonds. The monies on deposit in the Construction Fund from time to

time shall be used solely for the purpose for which the Bonds were issued. No proceeds of the Bonds shall be used to pay any cost not related to the Project as described in the Resolution of Intent. Any unexpended balance shall be used for such purposes as required or permitted by law including, without limitation, transfer to the Debt Service Fund for payment of principal, premium, if any, and interest on the Bonds at maturity or by redemption. After completion of the Project and disposition of remaining Bond proceeds, if any, pursuant to the provisions of this Section, the Construction Fund shall be closed.

11. **Investment of Funds.** The Township Treasurer shall keep full and complete records of all deposits to and withdrawals from the Debt Service Fund and the Construction Fund and of all investments of monies in such accounts and other transactions relating thereto. The Treasurer is authorized to invest the monies in said accounts in any one or more lawful investments authorized for townships by law and consistent with the Township investment policy.

12. **Covenant Regarding Tax Exempt Status of the Bonds.** The Township covenants to comply with all requirements of the Code necessary to assure that the interest on the Bonds will be and will remain excludable from gross income for federal income taxation (as opposed to alternative minimum or other indirect taxation). The Township hereby designates the Bonds as "qualified tax exempt obligations" for purposes of deduction of interest expense by financial institutions under the provisions of Section 265(b)(3) of the Code, it being reasonably anticipated that the aggregate amount of tax exempt obligations which will be issued by the Township and all subordinate entities to the Township shall not exceed \$10,000,000 during calendar year 2009. The Township hereby covenants that the Township will make no use of the proceeds of the Bonds, which if such use had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be "arbitrage bonds," as defined in Section 148 of the Code. In addition, the Township covenants to comply with all applicable provisions of the

Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be excluded (or continue to be excluded) from gross income within the meaning of Section 103(a) of the Code.

13. **Duties of Township Treasurer.** The Township Treasurer shall keep full and complete records of all deposits to and withdrawals from the Debt Service Fund and the Construction Fund and of all investments of monies in such accounts and other transactions relating thereto. The Treasurer is authorized to invest the monies in said accounts in any one or more lawful investments authorized by law for Townships and consistent with the Township investment policy. So long as the Government is a registered owner of Bonds, the Township Treasurer and all other persons responsible for the handling of the monies on deposit from time to time in the Debt Service Fund and the Construction Fund shall execute a fidelity bond in the amount required by the Government with a surety company approved by the Government, which names the Township and the Government as co-obligees and the amount thereof shall not be reduced without the prior written consent of the Government.

14. **Revised Municipal Finance Act.** The Township currently meets the requirements of qualified status under Section 303(3) of Act 34, and shall comply with all applicable requirements of Act 34, including the filing of a security report and the payment of the filing fee required by Section 319 of Act 34.

15. **Negotiated Sale of Bonds.** The Bonds shall be sold to the Government (the "Purchaser") at par at a negotiated sale in accordance with the Loan Resolution adopted by the Township Board for each series of the Bonds. Pursuant to Section 309(1) of Act 34, the Township elects to sell the Bonds by negotiated sale instead of by competitive sale in order to evidence the favorable loan terms offered by the Government, e.g. a 40-year term at a fixed interest rate of 4.125% per annum for the Series 2009A Bonds and 4.375% for the Series 2009B Bonds, and unlimited right to optionally redeem the principal of the Bonds without premium on

any interest payment date commencing November 1, 2009, and to avoid the additional cost of a public sale, which are not reasonably expected to be available to the Township by means of a conventional open market public sale.

16. **Approval of Final Terms of Bonds; Execution and Delivery of Bonds.** The Township Supervisor and Treasurer are hereby authorized and directed in accordance with Section 315(1)(d) of Act 34 to approve the final terms of the Bonds including, if necessary, increasing or reducing the principal amount of the Bonds, revising the amount of any principal maturity, approving the rate or rates of interest payable on the Bonds, approving revisions in the terms of redemption of the bonds, approving revisions in the principal and interest payment dates, approving the designation of separate series of bonds, approving a revision in the dated date of the Bonds, and revising the form of the Bonds and Schedule I in accordance with the foregoing. Notwithstanding the foregoing, the authority of the Supervisor and Treasurer is subject to the following limitations: (a) the aggregate principal amount of the Bonds shall not exceed \$2,100,000; (b) the final maturity of the Bonds shall not be later than May 1, 2049; and (c) the rate of interest payable on the Series 2009A Bonds shall not exceed 4.125% and the rate of interest payable on the Series 2009B Bonds shall not exceed 4.375%.

The Township Supervisor and Township Clerk are authorized and directed to execute the Bonds in substantially the form approved with such necessary variations, omissions, corrections and insertions as they deem appropriate and are required for and on behalf of the Township, manually or by facsimile signature for and on behalf of the Township, and, if the Township has a seal, to place thereon the Township Seal or a facsimile thereof; provided that the Bonds shall be executed by the facsimile signatures of the said Supervisor and Township Clerk only if the bonds are thereafter manually authenticated by the Bond Registrar. The Township Supervisor, Clerk and Treasurer are authorized and directed to execute and deliver on behalf of the Township such other certificates, affidavits, investment agreements or other documents or other instruments,

including applications for ratings or municipal bond insurance, as may be required by the Purchaser of the Bonds or Bond Counsel or convenient to effectuate the execution and delivery of the Bonds. Upon execution of the Bonds, the Township Treasurer is hereby authorized and directed to deliver or cause to be delivered the Bonds to the Purchaser, upon receipt of the purchase price therefor less any discount and plus any premium and accrued interest, if any, to the date of delivery. It is understood that the Government may take delivery of and/or pay for the Bonds in one or more installments. The Township shall furnish the Bonds ready for execution without expense to the Purchaser. The Township shall also furnish without expense to the Purchaser at the time of delivery of the Bonds, the approving opinion of Mika Meyers Beckett & Jones PLC, Attorneys, Grand Rapids, Michigan, approving the legality of the Bonds. The Bonds will be delivered at the expense of the Township in such place as agreed upon with the Purchaser. The proceeds of the Bonds shall be deposited into the Debt Service Fund and the Construction Fund, as provided in Paragraphs 9 and 10, above.

17. **Reservation of Rights.** The Township reserves the right to refund the Bonds, in whole or in part, prior to maturity, subject to the requirements of the Code and Act 34.

18. **Defeasance of Bonds; No Defeasance.** In the event cash or direct obligations of the United States or obligations the principal of and interest on which are guaranteed by the United States, or a combination thereof, the principal of and interest on which, without reinvestment, come due at times and in amounts sufficient to pay at maturity or such earlier date, if any, as the Bonds are subject to redemption in full, the principal of and interest on the Bonds, shall have been deposited in trust, this Bond Resolution shall be defeased and the owners of the Bonds shall have no further rights under this Bond Resolution except to receive payment of the principal of and interest on the Bonds from the cash or securities deposited in trust and the interest and gains thereon and to transfer and exchange Bonds as provided herein. So long as the Government is the Registered Owner of the Bonds, the Bonds shall not be subject to defeasance.

19. **Conflicts.** All resolutions and parts of resolutions inconsistent with the foregoing are hereby rescinded.

YEAS: Members: BUCHANAN, TREAD, STALSBERG, HALBERK, LICHON

NAYS: Members: _____

ABSTAIN: Members: _____

RESOLUTION DECLARED ADOPTED

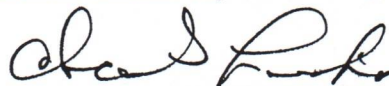


Charles Lichon, Clerk
Township of Pinconning

STATE OF MICHIGAN)
) ss.
COUNTY OF BAY)

I, the undersigned, the duly qualified and acting Clerk of the Township of Pinconning, Michigan, do hereby certify that the foregoing is a true and complete and compared copy of a resolution adopted by the Township Board at a regular meeting of said Board held on the 14th day of April, 2009, the original of which resolution is a part of the proceedings of said meeting and is on file in my office. Public notice of said meeting was given pursuant to and in compliance with the Open Meetings Act, being Act 267 of the Public Acts of Michigan of 1976, as amended, including in the case of a special or rescheduled meeting notice by publication or posting at least eighteen hours prior to the time set for the meeting.

IN WITNESS WHEREOF, I have hereunto affixed my official signature this 15
day of April, 2009.



Charles Lichon, Clerk
Township of Pinconning